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Department of State TELEGRAM

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EXCISE

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ACTION AF-19

INFO OCT-01 EUR-20 CIAE-00 DODE-00 PM-05 H-02 INR-08 L-04
NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-20 USIA-12 INT-06
OEP-01 FPC-01 AID-28 COM-08 E-15 FRB-02 TRSE-00
XMB-06 OPIC-12 TRSY-11 CIEP-01 LAB-06 SIL-01 SAL-02
IGA-02 RSR-01 /209 W

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R 161510Z JUN 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 7787
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
AMEMBASSY ROME

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/22/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 1121

SUBJ: LIBYAN LNG SALES TO ITALY

REF: TRIPOLI 1082

1. [redacted] B4
BAN ON LNG SHIPMENTS TO ITALY LIFTED ON BASIS OF REVISED SALES CONTRACT BETWEEN ESSO AND ENI'S SNAM. A CONTRACT [redacted] WHICH [redacted] WILL BE SIGNED IN NEW YORK [redacted] B4
JUNE 18. [redacted] MABRUK ISSUED STATEMENT OFFICIALLY ANNOUNCING LIFTING OF BAN LATER JUNE 15.

2. ACCORDING TO MABRUK'S STATEMENT CIF PRICE FOR SHIPMENTS TO

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ITALY WILL BE 43 CENTS PER MILLION BTU (SAME AS FOR SPAIN), WHILE FOB (TRANSFER) PRICE WILL BE 34.5 CENTS (ONE-HALF CENT MORE THAN FOR SPAIN). MABRUK COMPARED THESE RESULTS WITH FOB PRICE AGREED WITH OLD REGIME OF 15.7 CENTS FOR FIRST FIVE YEARS OF ITALIAN CONTRACT (TO PROVIDE ESSO WITH ACCELERATED RECOVERY OF ITS INVESTMENT) AND 26.2 CENTS FOR FOLLOWING 15 YEARS. MABRUK ALSO NOTED THAT PRICE ESCALATION TO BECOME EFFECTIVE IN 1972 WOULD RAISE CIF PRICE TO 45.1 CENTS, AND SAID AGREEMENT ON EXPORTS TO ITALY WILL YIELD LARG ANNUAL REVENUE OF ABOUT $240 MILLION -- ABOUT $100 MILLION PER YEAR MORE THAN ORIGINAL TERMS.

3. COMMENT: MABRUK'S STATEMENT WAS TYPICALLY AGGRESSIVE IN TONE -- EMPHASIZING THAT "BELIEF IN OUR JUST RIGHTS" HAD ENABLED LARG "TO IMPOSE JUST TERMS" ON ESSO. ITS CONTENTIOUSNESS ASIDE, MABRUK'S STATEMENT SEEMS TO US TO BE SUBSTANTIALLY ACCURATE. [redacted] INCLUDING SALES TO SPAIN, LARG'S RECEIPTS FROM LNG SHOULD TOTAL ABOUT $300 MILLION ANNUALLY. [redacted] B1

4. IN LONGER RUN, [redacted] LARG [redacted] MAY BE LOSER [redacted] SINCE LARG'S TACTICS IN EXTRACTING MAXIMUM BENEFITS HAVE FURTHER DEPRESSED INVESTMENT CLIMATE IN LIBYAN OIL SECTOR. [redacted] B1 B4

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